

**COUNTY OF SAN LUIS OBISPO BOARD OF SUPERVISORS  
AGENDA ITEM TRANSMITTAL**

(1) DEPARTMENT Assessor Auditor - Controller - Treasurer - Tax Collector	(2) MEETING DATE 2/23/2016	(3) CONTACT/PHONE Charron Sparks, 805-781-5646 Justin Cooley, 805-781-5852	
(4) SUBJECT Submittal of a resolution to allow the proration of escaped assessments pursuant to Revenue and Taxation Code Section 531.2(c). All Districts.			
(5) RECOMMENDED ACTION It is recommended that the Board adopt a resolution to allow the proration of unsecured property tax bills generated due to escaped assessments pursuant to Revenue and Taxation Code Section 531.2(c).			
(6) FUNDING SOURCE(S) N/A	(7) CURRENT YEAR FINANCIAL IMPACT \$0.00	(8) ANNUAL FINANCIAL IMPACT \$0.00	(9) BUDGETED? N/A
(10) AGENDA PLACEMENT <input checked="" type="checkbox"/> Consent <input type="checkbox"/> Presentation <input type="checkbox"/> Hearing (Time Est. ____ ) <input type="checkbox"/> Board Business (Time Est. ____ )			
(11) EXECUTED DOCUMENTS <input checked="" type="checkbox"/> Resolutions <input type="checkbox"/> Contracts <input type="checkbox"/> Ordinances <input type="checkbox"/> N/A			
(12) OUTLINE AGREEMENT REQUISITION NUMBER (OAR) N/A		(13) BUDGET ADJUSTMENT REQUIRED? BAR ID Number: N/A <input type="checkbox"/> 4/5 Vote Required <input checked="" type="checkbox"/> N/A	
(14) LOCATION MAP N/A	(15) BUSINESS IMPACT STATEMENT? No	(16) AGENDA ITEM HISTORY <input checked="" type="checkbox"/> N/A    Date: _____	
(17) ADMINISTRATIVE OFFICE REVIEW <i>Nikki J. Schmidt</i>			
(18) SUPERVISOR DISTRICT(S) All Districts			

# County of San Luis Obispo



TO: Honorable Board of Supervisors

FROM: Tom J. Bordonaro, Jr., County Assessor  
James P. Erb, CPA, County Auditor - Controller - Treasurer - Tax Collector

DATE: February 23, 2016

SUBJECT: Submittal of a resolution to allow the proration of Escaped Assessments Pursuant to Revenue and Taxation Code Section 531.2(c). All Districts.

## **RECOMMENDATION**

It is recommended that the Board adopt a resolution to allow the proration of unsecured property tax bills generated due to escaped assessments pursuant to Revenue and Taxation Code Section 531.2(c).

## **DISCUSSION**

The County Assessor and the County Auditor-Controller-Treasurer-Tax Collector (ACTTC) jointly recommend that the Board adopt the proposed resolution to allow the proration of unsecured property tax bills resulting from escaped assessments on real property. The proration of these bills is only allowed if a resolution pursuant to Revenue and Taxation Code (hereafter, R&T Code) §531.2(c) has been adopted by the Board of Supervisors. Currently, proration of unsecured property tax bills resulting from escaped assessments is not permitted in San Luis Obispo County as the Board has not adopted any such resolution. Without the ability to prorate when an escaped assessment is processed, one taxpayer may be billed for an entire fiscal year of property taxes even if they only owned the property for as little as one day. Logically, the bill should be prorated among multiple owners based on the share of the year in which they owned the property.

Property tax bills are based on a fiscal year (July 1 – June 30) rather than a calendar year (January 1 – December 31), however the amount of the bill is based on the assessed value as of January 1. For the current 2015/16 fiscal year property taxes, assessed amounts are based on the value of property as of January 1, 2015 and billed for the period of July 1, 2015 to June 30, 2016. An escaped assessment is a change in value to an assessment roll that has already been completed by the Assessor, which includes the current and prior fiscal years.

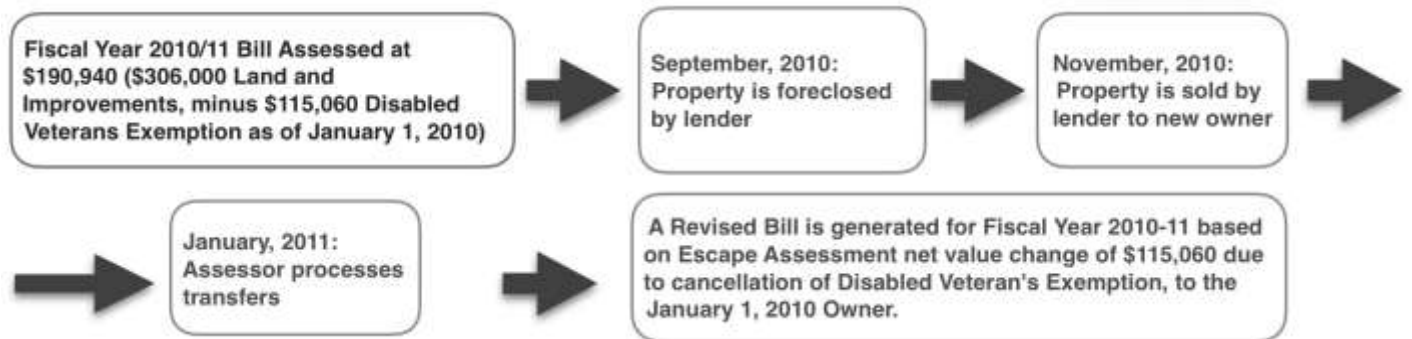
R&T Code §531 states that when real property escapes assessment and is later sold or transferred after July 1 of the year in which it should have been assessed, the Assessor is required to "assess the property on discovery at its value on the lien date for the year for which it escaped assessment." The entire resulting tax bill becomes the responsibility of the person who owned the property on January 1. Unlike other real property tax bills, this bill is not attached to the property but to the prior owner.

R&T Code §531.1 requires that when an exemption pursuant to R&T §271.5 or 276.3 is terminated or partially terminated, an "escape assessment in the amount of the exemption, or that portion of the exemption that has been terminated or erroneously allowed...shall be made." These exemptions vary from the relatively small Homeowners Exemption to potentially large exemptions such as those for disabled veterans.

Most terminations of exemptions are due to the sale or transfer of property. If the property is sold or transferred after July 1 and the transfer results in the cancellation of all or a portion of an exemption, an escaped assessment based on the full

value of the assessment without the exemption as of January 1 will result. Because our County has not adopted a resolution under R&T §531.2(c), this escaped assessment will result in an unsecured tax bill issued to the previous owner of the property. These unsecured tax bills are often unexpected and can be seemingly illogical and unfair.

Consider a particularly troublesome example where a Disabled Veterans Exemption is terminated because of the transfer of property (in this case by a foreclosure), and where the property is subsequently transferred again (the foreclosing bank sells the property). As R&T Code §531 requires, an unsecured tax bill would be issued against the former owner for property taxes based on the amount of the terminated exemption, even though he/she may have owned the property for only a small portion of the fiscal year. Example:



Under the requirements of the R&T code, the cancelled exemption for the disabled veteran results in an escaped assessment for the increase of \$115,060 in value. This revised bill is entirely the responsibility of the January 1, 2010 owner, the disabled veteran, despite the fact that they did not own the property for the entire fiscal year covered by the bill. If the proposed resolution had been adopted, the disabled veteran would only be responsible for 2/12ths of the bill (July and August).

R&T Code §531.2(c) provides that the tax bills resulting from escaped assessments, as described above, can be properly prorated according to the amount of time that each party has owned the property during the fiscal year, if the Board adopts a resolution allowing for proration. Adopting the recommended resolution would allow the proration of the escaped assessments in an equitable and logical manner according to the amount of time the property was owned by each current and former owner. The proration process has always been a key component of the supplemental assessment roll, however, this proration is not allowed for escaped assessments without adoption of the recommended resolution.

#### **OTHER DEPARTMENT INVOLVEMENT/IMPACT**

The Assessor and ACTTC have worked together to propose the recommended resolution. Both departments strongly agree that adopting such a resolution would result in an equitable and logical proration of escaped assessments and would help to prevent unexpected property tax liabilities for former property owners.

County Counsel has reviewed the proposed resolution as to form and legal effect.

#### **FINANCIAL CONSIDERATIONS**

The proposed resolution does not reduce the amount of property taxes to be collected; it only allocates the property tax bills according to ownership. Accordingly, no impact is expected to property tax revenue.

Adoption of the proposed resolution will result in an increased workload for the Assessor and the ACTTC as approximately 3,300 assessments per year will require additional scrutiny to determine which items are eligible for proration. The Assessor and the ACTTC estimate that this may result in approximately 50 and 200 hours per year of additional work, respectively. In anticipation of this ordinance, the Assessor and the ACTTC have worked together to prepare automation enhancements and to streamline shared procedures. These improvements, combined with the expected reduction in public service time currently required to respond to taxpayers faced with this inequitable situation, should allow the offices to absorb the additional workload without requesting additional staff. Additionally, it is hoped that enhancements to the Property Tax System (currently being modernized and removed from the mainframe system) in

future years may further reduce the amount of additional work required to properly prorate these assessments.

### **RESULTS**

Adopting the proposed resolution would allow the County Assessor and County ACTTC to prorate escaped assessments, reducing unexpected property tax bills for former property owners. Prorating escaped assessments in this way meets the County's goal of providing a well governed community by administering property taxes in an equitable and logical manner.

### **ATTACHMENTS**

1. Resolution to Authorize the Proration of Escaped Assessments